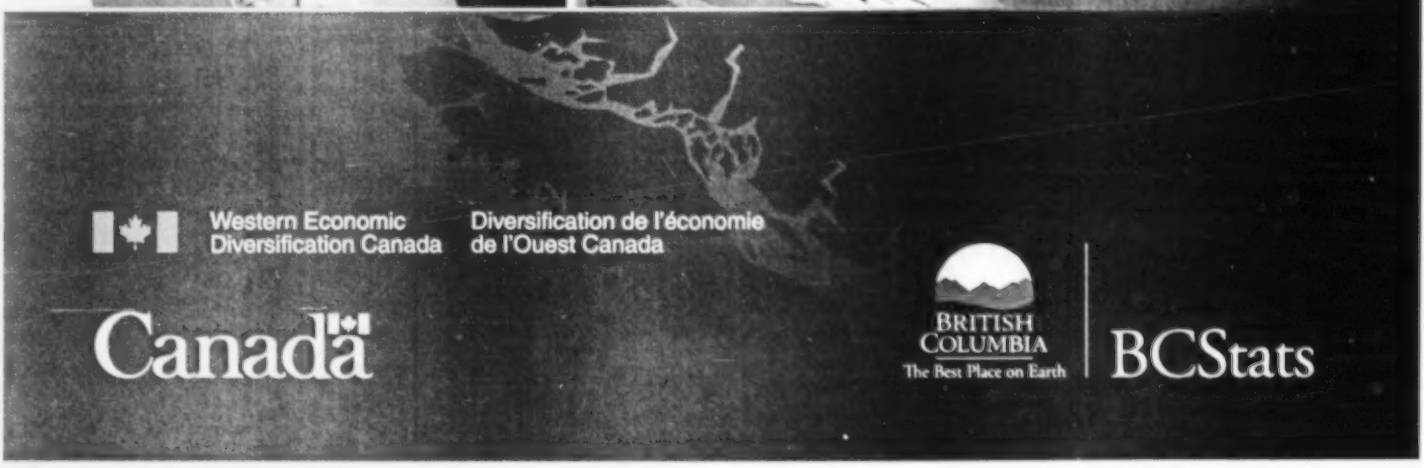
British Columbia

Small Business Profile 2008



Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

Canada

BRITISH COLUMBIA
The Best Place on Earth

BCStats

Small Business Profile 2008:

A Profile of Small Business in British Columbia

October 2008 Edition

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

Canada

BRITISH COLUMBIA
The Best Place on Earth

Information on programs and services for small businesses can be obtained by contacting:

Small Business BC
601 West Cordova St.
Vancouver, B.C. V6B 1G1
Telephone: 604 775-5525
Toll Free: 1 800 667-2272
Internet: ***www.smallbusinessbc.ca***

Statistics related to small business are available at:

BC Stats
Data Services
553 Superior St.
Box 9410 Stn Prov Govt
Victoria, B.C. V8W 9V1
Telephone: 250 387-0327
Internet: ***www.bcstats.gov.bc.ca***

Information on provincial government programs and services can be found at:

Ministry of Small Business and Revenue
Small Business Branch
Box 9805 Stn Prov Govt
Victoria, B.C. V8W 9W1
Telephone: 250 387-4699
Internet: ***www.sbr.gov.bc.ca***

Information on federal government programs and services can be found at:

Western Economic Diversification Canada
Suite 700 – 333 Seymour St.
Vancouver, B.C. V6B 5G9
Telephone: 604 666-6256
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A Profile of Small Business in British Columbia

Preface

Small Business Profile 2008: A Profile of Small Business in British Columbia is an update of previous versions published annually since 1997. The 2008 report uses data from 2007, the most recent year for which data is available. This report is designed to answer some common questions about the role of small business in British Columbia through an examination of trends in growth over the last five years. Key issues addressed include the number of businesses, growth in employment and earnings, contribution to the economy, industry distribution, impact on regional economies and the role of small business exporters.

Statistical information in this report was prepared by BC Stats with data provided by Statistics Canada from various statistical databases such as the Business Register, the Survey of Employment, Payrolls and Hours, the Labour Force Survey and the Exporter Registry.

Small Business Profile 2008 is produced in cooperation with the federal and provincial governments. The report was prepared by BC Stats in the British Columbia Ministry of Labour and Citizens' Services in partnership with Western Economic Diversification Canada, and the British Columbia Ministry of Small Business and Revenue.

Breakdown of businesses in British Columbia, 2007

	Number of businesses	Per cent of total
Total small businesses	379,700	98%
Self-employed without paid help †	219,300	57%
Businesses with less than 50 employees	160,400	41%
Total large businesses	6,800	2%
Total all businesses‡	386,600	100%

† Incorporated self-employed are not included in this figure in order to avoid double counting since they are already included in the count of businesses with fewer than 50 employees.
‡ Figures do not add due to rounding.
Source: BC Stats using data supplied by Statistics Canada

Number of self-employed business owners in British Columbia, 2007

	Incorporated	Unincorporated	Total self-employment
With paid help	94,000	40,700	134,700
Without paid help	68,900	219,300	288,200
Total	162,900	260,000	422,900
Per cent	39%	61%	100%

Source: Source: Statistics Canada | Prepared by BC Stats
For more information on incorporation, please see page 9

Highlights

- ***Small Business*** – There were approximately 379,700 small businesses operating in British Columbia in 2007. These operations accounted for 98 per cent of all businesses in the province. Micro-businesses, with fewer than five employees each, comprised 83 per cent of small businesses.
- ***Small Businesses Per Capita*** – In 2007, British Columbia had more small businesses per capita than any other province with 86.7 small businesses per 1,000 people. Long-time leader Saskatchewan ranked second among provinces with 86.6 small businesses per 1,000 people followed by Alberta with 79.7.
- ***Employment*** – Approximately 1,048,000 people were employed by small businesses in British Columbia in 2007. These jobs accounted for 56 per cent of private sector employment in the province, the highest rate in the country.
- ***Employment Growth*** – Between 2006 and 2007, small business employment in British Columbia grew by 2.5 per cent, slightly faster than the national rate of 2.4 per cent.
- ***Self-Employed*** – On average, the self-employed tend to be older, are more often men and are more likely to work longer hours than paid employees. Thirty-six per cent of the self-employed in British Columbia are women, the second highest rate in the country.
- ***Gross Domestic Product*** – Among Canadian provinces, British Columbia had the highest proportion of Gross Domestic Product (approximately 33 per cent) attributed to small businesses.
- ***High Technology Sector*** – Small businesses constituted about 96 per cent of employers in the high technology sector. In 2007, there were approximately 8,225 small businesses in the high technology sector.
- ***Regional Focus*** – The Kootenay and Thompson-Okanagan regions had the highest rates of growth in self-employment over the last five years at 27.3 per cent and 24.9 per cent respectively.
- **Exports** – Small businesses in British Columbia shipped approximately $12.2 billion worth of merchandise to international destinations in 2006, almost 37 per cent of the total value of goods exported from the province.

1. Small Business Growth

Small business remains the primary source of private sector job creation in British Columbia, reflecting an important and ongoing trend towards economic diversification within the provincial economy. Small Business is also a vital source of innovation. With approximately 96 per cent of high technology businesses in British Columbia falling into the small business category, it is a key instrument of job creation and economic growth in the province.

What is a small business?

Before embarking on a study of its scope and growth, it is important to define the concept of "small business." Although there are a number of different ways a small business can be defined, the most commonly used definition focuses on the number of employees. In British Columbia, a small business is defined as one with fewer than 50 employees, or a business operated by a person who is self-employed, without paid help.

How many businesses are there in British Columbia and is that number growing?

British Columbia recorded a total of 386,600 businesses in 2007, of which 98 per cent (379,700) were small businesses. Nearly 57 per cent of all businesses in the province were operated by self-employed people with no paid employees, while less than 55 per cent of all Canadian businesses were comprised of such individuals. Only three provinces had larger proportions of businesses run by self-employed persons working alone than British Columbia: Saskatchewan, Manitoba and Ontario (each 58 per cent).

In 2007, the total number of small businesses operating in British Columbia increased 2.4 per cent over the previous year. This marked the sixth consecutive year of growth and the largest increase since 2003. Small businesses with employees (+0.4 per cent) and businesses run by unincorporated self-employed individuals without paid help (+4.0 per cent) both grew in number. However, the number of small businesses with employees has remained fairly stable over the last decade, inching down just once, in 2004.

A business is defined as a small business if it is either:

- A business with fewer than 50 employees
- A business operated by a self-employed person with no paid help

A *micro-business* is defined as a small business with fewer than five employees.

Incorporated businesses

Incorporated businesses consist of those organized and maintained as legal corporations. A corporation is created (incorporated) by one or more shareholders who have ownership of the corporation, represented by their holding of common stock.

Self-employed

Self-employed individuals are defined as individuals who spend most of their working hours operating their own businesses. The self-employed can be categorised as either *incorporated* or *unincorporated*. Each of these classifications can be further divided between those operating *with paid help* (i.e., with employees) or *without paid help* (i.e., working by themselves). This produces four major categories of self-employed workers.

Unincorporated businesses

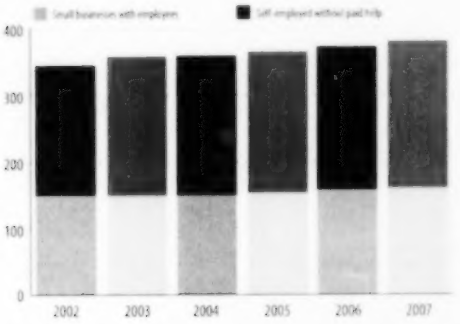
Unincorporated businesses consist of those not organized and maintained as legal corporations and the tie between members need not be a legally enforceable contract.

Did you know?

In 2007, 98 per cent of all businesses in the province were small businesses.

Figure 1.1

Number of small businesses in British Columbia, (000's) 2002-2007



Source: BC Stats using data supplied by Statistics Canada

This contrasts with the year-over-year variations in the number of small businesses operated by self-employed individuals without paid help, which have see-sawed over the past decade. Following three years of double-digit increases in the mid-nineties, these small businesses faced significant declines between 1999 and 2001, before rebounding with increases in each of the last six years.

Note that Statistics Canada has made changes to the structure of the Business Register from which data on establishment counts are based. As a result, comparisons with data from previous years may yield inconsistent results. These changes are more likely to affect larger enterprises and the impact on growth figures for small business establishments should be minimal. Nevertheless, figures on the growth in the number of small business establishments should be used with caution. Given the more substantial effect on larger businesses, growth rates involving businesses with greater than 50 employees will not be reported.

Figure 1.2

Size distribution of small business in British Columbia, 2007

	Number of businesses	Per cent of total
Total businesses with 0 to 4 employees	314,200	83%
Self-employed without paid help	219,300	58%
Businesses with 1-4 employees	94,900	25%
Businesses with 5-19 employees	53,500	14%
Businesses with 20-49 employees	12,100	3%
Total small businesses†	379,700	100%

† Figures do not add due to rounding.
Source: BC Stats using data supplied by Statistics Canada

What is the size distribution of small businesses?

The majority of small businesses in British Columbia are micro-businesses with fewer than five employees. In 2007, there were 314,200 such businesses comprising 83 per cent of the province's small businesses. Of these, 58 per cent were operated by self-employed persons without paid help and the remaining 25 per cent employed one to four individuals.

Over the past five years, the province's small business count expanded by an average of 6,000 per year or 1.8 per cent.[1] The fastest-growing group in British Columbia's small business sector has been businesses with five to 19 employees, which grew at an average annual rate of 3.2 per cent, with an average net addition of 1,500 new businesses per year. In terms of actual numbers, most of the new businesses were in the self-employed without paid help category, which grew an average of 2.7 per cent or 5,200 businesses each year over the five year period. Despite the overall increase in the number of small businesses, there were declines in some size categories. Businesses with one to four employees averaged a net loss of -0.6 per cent or 600 businesses per year, while those with 20 to 49 employees experienced an average net loss of -0.8 per cent or 100 businesses per year.

Figure 1.3

Growth in number of British Columbia businesses, 2002-2007

	Average annual growth (#s)	Average annual growth rate
Total small businesses†	6,000	1.8%
Self-employed without paid help	5,200	2.7%
Businesses with 1-4 employees	-600	-0.6%
Businesses with 5-19 employees	1,500	3.2%
Businesses with 20-49 employees	-100	-0.8%
Total large businesses	100	1.5%
Total all businesses	5,900	1.7%

† Figures do not add due to rounding.
Source: BC Stats using data supplied by Statistics Canada

1 Note that Statistics Canada has added counts for NAICS #14110 Private Households – specifically, nannies – to the Business Register data. Since this industry was not included in the data in previous years, in order to obtain consistent growth rates the industry was excluded from all relevant growth rate calculations in this report, but is included in tables where only 2007 data are reported.

In which sectors are small businesses concentrated?

Small businesses in British Columbia are engaged in a range of activities — from "mom and pop" diners, to small lumber milling operations, to self-employed online marketing consultants.

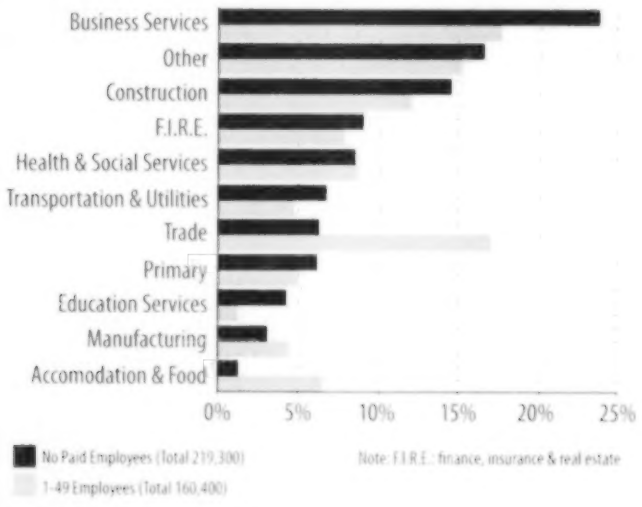
Most small businesses fall within the service sector with the largest concentration in the business services industry, which contains over 21 per cent of all British Columbian small businesses, followed by wholesale and retail trade with 11 per cent. Business services, which include occupations such as market researchers and lawyers, are more concentrated in businesses with no employees, while firms involved in wholesale and retail trade are more likely to employ staff. Figure 1.4a shows the industry breakdown for small businesses with employees and for small businesses comprised of a self-employed person with no paid help.

In British Columbia construction is the dominant industry in the goods sector as a whole and makes up nearly 14 per cent of all small businesses in the province. Given that construction tends toward smaller operations than most manufacturing industries, it follows that it has the largest concentration of small businesses among industries outside the service sector.

Some industries in the small business sector are dominated by businesses with employees, while others are comprised mostly of self-employed individuals working alone. As an example, among small businesses providing education services almost 82 per cent are comprised of self-employed individuals without paid help. In comparison, 80 per cent of small businesses in the hospitality industry employ staff.

Figure 1.4a

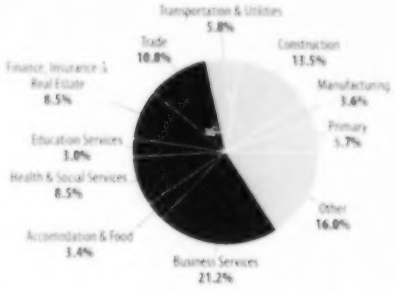
Small businesses, with and without employees, by industry, 2007



Source: BC Stats using data supplied by Statistics Canada

Figure 1.4b

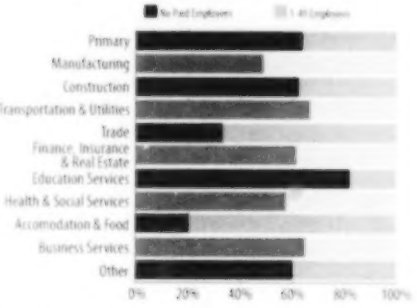
Total small businesses with 0-49 employees, 2007



Source: BC Stats using data supplied by Statistics Canada

Figure 1.5

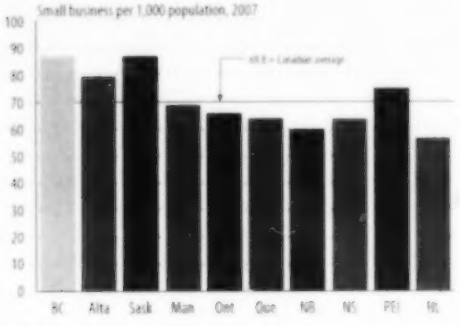
Small businesses by industry, shares with and without employees, 2007



Source: BC Stats using data supplied by Statistics Canada

Figure 1.6

Western Canada generally has more small businesses per capita, 2007



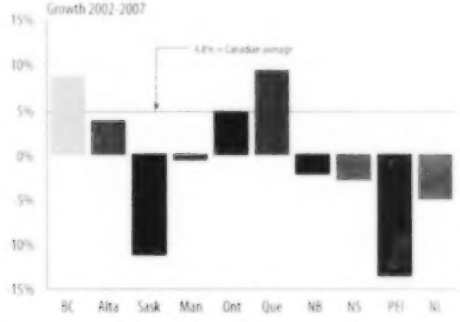
Source: BC Stats using data supplied by Statistics Canada

Did you know?

British Columbia has more small businesses per capita than any other province.

Figure 1.7

Small business growth, 2002-2007



Source: BC Stats using data supplied by Statistics Canada

How does small business growth in British Columbia compare with other provinces?

On a per capita basis, small businesses are more common in Western Canada than in the rest of the country. After surpassing Alberta for the first time in 2005, the province held its second place rank in 2006. In 2007, British Columbia ranked first among the provinces with 86.7 small businesses per 1,000 people, edging out long-time leader Saskatchewan at 86.6. British Columbia and Saskatchewan were followed by Alberta with 79.7 per capita small businesses last year. The only other province to exceed the Canadian average of 69.8 small businesses per 1,000 people was Prince Edward Island, at 74.8.

British Columbia has been a national leader in small business growth over the past five years. From 2002 to 2007, the number of small businesses in the province soared by 8.8 per cent, surpassing the Canadian growth average of 4.8 per cent and second only to Quebec with 9.5 per cent. Ontario, with 4.9 per cent growth, was the only other province to exceed the national average, while six provinces showed declines ranging from -0.8 per cent in Manitoba to -13.7 per cent in Prince Edward Island. British Columbia's faster growth rate may be attributable to its more prominent service sector orientation. Much of the expansion in small businesses across the country has been concentrated in service sector industries. The burgeoning construction sector is among those that have helped drive British Columbia's small business growth in recent years, as is the professional, scientific and technical services sector.

The relatively poor national performance in small business growth over the past five years reflects overall declines in manufacturing and in primary industries such as forestry, agriculture, fishing and hunting. Canada's manufacturing sector, along with that of North America as a whole, has been struggling in recent years in the face of increased competition from burgeoning international economies, such as China's. The appreciation of the Canadian dollar has also had a marked effect on this sector.

2. Small Business Employment

How many jobs does small business provide in British Columbia?

In 2007, approximately 1,048,000 jobs in British Columbia were in small businesses. This accounts for nearly half (46 per cent) of the province's total employment (2,266,300) and represents a slight decrease in the share of jobs derived from small business in 2006 (47 per cent).

The private sector (including both small and large businesses) employed 1,864,700 people in British Columbia in 2007, of which 56 per cent were in small business. This ratio has remained essentially unchanged since 1999. In 2007, self-employed workers represented 23 per cent of total private sector employment. Of those people who were employed by private sector businesses, 33 per cent worked for a small business and the remaining 44 per cent were employees of a large business.

Small business employment in British Columbia expanded for the sixth consecutive year in 2007, climbing by 2.5 per cent. Both employees of small businesses and self-employed individuals contributed to this expansion (2.3 and 2.8 per cent growth, respectively), consistent with the pattern established in recent years. Self employment in British Columbia continues to grow at a fast pace. Indeed, in 2007, there were 62,000 more self-employed workers in British Columbia than in 2002, a 17.1 per cent increase over five years. Employees of small businesses also showed solid growth over the same period, increasing 12.2 per cent. As a result, overall small business employment (including self-employed and employees) jumped 14.1 per cent between 2002 and 2007. This rivalled the 17.8 per cent increase in large business employment over that same period.

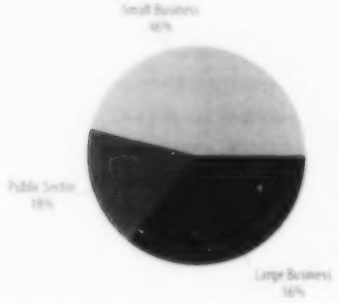
How does British Columbia's small business employment compare to other provinces?

In 2007, British Columbia led the nation in terms of the percentage of total private sector jobs derived from small business. The rankings show British Columbia with just over 56 per cent private sector employment from small business, marginally ahead of Prince Edward Island. Saskatchewan ranked third at 55 per cent, followed by Newfoundland and Labrador at 53 per cent. The national average across Canada was approximately 50 per cent, with Ontario reporting the least dependence on small business for private sector employment at 46 per cent.

The significant variation in small business employment among the provinces is likely related to regional differences in economic structure. For instance, Ontario relies heavily on employment from large manufacturing businesses, particularly in the automotive sector. On the other hand, provinces such as Saskatchewan and Prince Edward Island have significant agricultural sectors, which are often smaller operations with fewer than 50 employees.

Figure 2.1

Almost half of all jobs in British Columbia were in small business in 2007



Source: BC Stats using data supplied by Statistics Canada

Figure 2.2

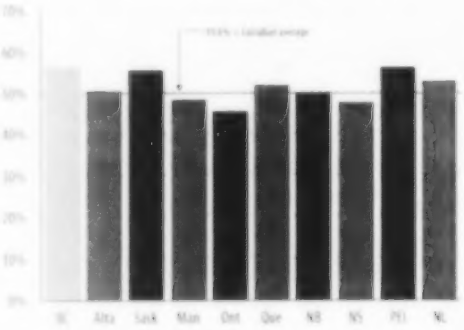
Private sector employment in British Columbia by size of business, 2007

	Employment	Per cent of total
Total small business employment	1,048,000	56%
Self-employed	425,300	23%
Employment by small business	622,700	33%
Large business employment	816,700	44%
Total private sector employment	1,864,700	100%

Source: BC Stats using data supplied by Statistics Canada

Figure 2.3

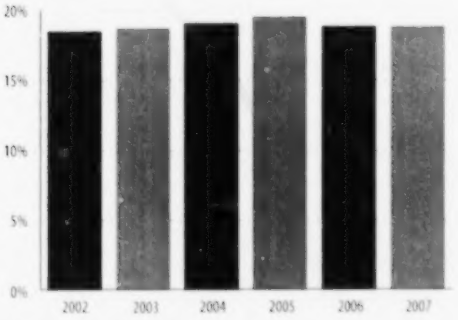
British Columbia ranks first in small business as a per cent of private sector employment, 2007



Source: BC Stats using data supplied by Statistics Canada

Figure 2.4

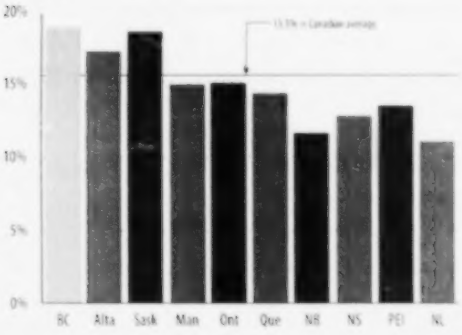
British Columbia's self-employment as a per cent of total employment, 2002-2007



Source: Statistics Canada / Prepared by BC Stats

Figure 2.5

Self-employment as a per cent of total employment by province, 2007



Source: Statistics Canada / Prepared by BC Stats

Did you know?

British Columbia has the highest proportion of self-employed workers in its workforce among provinces.

Between 2006 and 2007, small business employment in British Columbia rose 2.5 per cent, slightly above the Canadian average of 2.4 per cent. Nova Scotia reported the largest increase at 3.9 per cent. The only other provinces with growth rates exceeding the national average were Alberta at 3.5 per cent, Quebec at 3.1 per cent and Ontario at 2.5 per cent. The steady rise in construction of both housing and other projects in British Columbia, though tempered since 2005, continues to play a role in the growth in small business employment and will likely continue during preparations for the 2010 Winter Games.

Self-Employment

What proportion of total employment is comprised of the self-employed?

In British Columbia's work force, the proportion of "self-employed" – individuals who spend most of their working hours running their own businesses – has remained strong and relatively stable over the past five years. Last year, self-employment accounted for 18.8 per cent of total employment, virtually unchanged from 2006. This was well above the national share of 15.5 per cent.

In 2007, British Columbia surpassed Saskatchewan (18.5 per cent) to rank first among the provinces with the highest proportion of self-employed workers in its workforce. Saskatchewan's heavy reliance on family farming had historically made it the country's leader in self-employment. Over the last couple of decades however, the number of farmers in Saskatchewan has fallen and this is reflected in the declining proportion of self-employed workers.

British Columbia has been preparing to host the 2010 Winter Olympics in Vancouver, which has helped fuel a recent housing boom across most of the province. The relatively larger share of self-employed may be, at least in part, a reflection of the higher demand for skilled workers and the increased number of self-employed British Columbians working in the construction industry.

After British Columbia and Saskatchewan, Alberta was the only other province to top the national average of self-employed workers with 17.2 per cent. Of all the provinces, Newfoundland and Labrador had the lowest proportion of self-employed workers at 11.0 per cent.

How many self-employed people are there in British Columbia and how fast is this number growing?

The overall number of self-employed workers in British Columbia during 2007 was 425,300. This number includes approximately 2,300 individuals who worked in family businesses without pay, leaving 422,900 self-employed individuals. Unincorporated business owners working on their own with no employees made up the largest category of self-employed small businesses, with over half (52 per cent) of all self-employed fitting this description.

In 2007, the overall number of self-employed workers in British Columbia rebounded following a slight dip of -0.5 per cent in 2006. The drop was likely due to a tight economy and labour shortages that drew many self-employed workers into the employee workforce. However, from 2006 to 2007, self-employment growth in the province amounted to 2.8 per cent, or approximately 11,600 workers.

Last year, the number of self-employed *without* paid help, regardless of incorporation status, was more than double that of self-employed with paid help. British Columbia's self-employment growth trend was highest among the self-employed without employees, which increased 27.7 per cent between 1997 and 2007. This contrasts sharply with the slower growth trend in the number of self-employed with hired help, which grew only 5.3 per cent during the past decade.

Traditionally in British Columbia, the self-employed without paid help have outnumbered those with employees, and due to the large variance in rates of growth over the last decade, the gap is widening. This may in part be due to the recent growth in the number of new small businesses. Often, a small business begins with a sole proprietor, who typically runs the business from home and hires staff once the business expands.

Figure 2.6

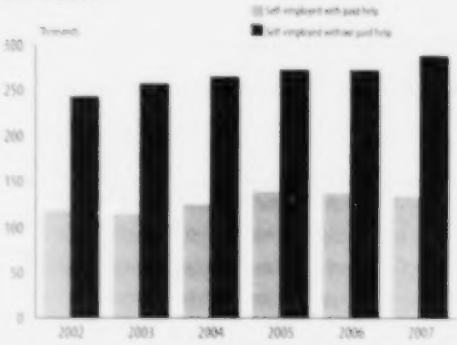
Number of self-employed business owners in British Columbia, 2007

	With paid help	Without paid help	Total	Per cent
Incorporated	94,000	68,900	162,900	39%
Unincorporated	40,700	219,300	260,000	61%
Total self-employment	134,700	288,200	422,900	100%

Source: Statistics Canada / Prepared by BC Stats

Figure 2.7

There are twice as many self-employed without paid help than there are those with employees, 2002-2007



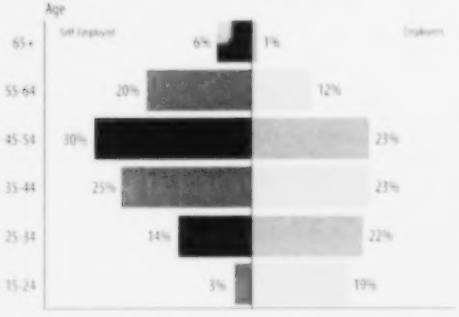
Source: Statistics Canada / Prepared by BC Stats

Did you know?

There were 425,300 self-employed workers in British Columbia in 2007.

Figure 2.8

Self-employed workers tend to be older, on average – British Columbia, 2007



Source: Statistics Canada / Prepared by BC Stats

The overall growth in the number of self-employed individuals is not an uncommon phenomenon and is prevalent in other parts of the country and the rest of the world. Possible reasons for this increase include structural changes to an economy that either "push" people into self-employment or increased entrepreneurial opportunities that "pull" people towards working for themselves. Some of these "push" and "pull" factors include the trend toward contracting out certain business functions in order to remain competitive in a global market, the increased participation of women in the labour force, the need to balance family and work, and technological changes that provide the flexibility to work from home.

People choose self-employment for many different reasons. For some, self-employment offers an opportunity to pursue a personal interest. Others prefer the flexibility of being their own boss, while some would prefer the stability of paid employment, but simply cannot find a job in their field. Some people choose self-employment to supplement paid employment and bring in a second income. In addition to the influences of the wage labour market and lifestyle issues, many people are driven by entrepreneurial spirit and the goal of building their own businesses in order to adopt new trends or forge new paths in the business market.

What is the profile of a self-employed person in British Columbia?

Self-employed people, on average, have a propensity to be older, are more often men, work longer hours and are less likely to be Aboriginal peoples compared to workers who are employees. More than half (56 per cent) of the self-employed are between the ages of 35 and 54 while 46 per cent of people in this age category work as paid employees.

Younger people are more likely to be employees, rather than entrepreneurs. While 41 per cent of employees are under the age of 35, only 18 per cent of self-employed business owners fit this description. Conversely, 27 per cent of entrepreneurs are aged 55 and over, compared to only 13 per cent of employees.

There are a number of possible reasons for the different age configuration of self-employed persons compared to employees. Younger people tend to lack the financial capital, work experience and skills required to start and maintain a business. Older workers may be motivated to use self-employment as a transition from working at a full-time job to moving into retirement and beyond. This is exemplified by the percentage of self-employed business owners aged 65 and over (six per cent) compared to employees of the same age group (one per cent).

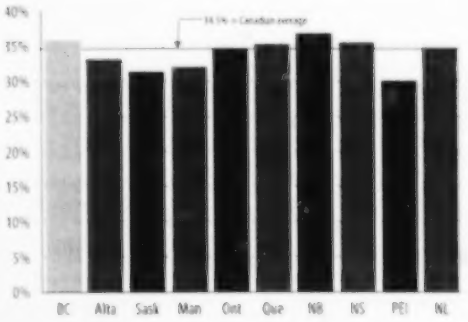
Although the number of self-employed as a percentage of all workers has been steadily rising in all age groups, for those over 55 there has been an acute increase in the probability that they will be self-employed. One possible explanation for the high propensity of self-employment among older Canadians may be related to retirement. Many of those who are retired or semi-retired from their professions seek alternative sources of income and livelihood that offer the flexibility available with self-employment. Generally, the self-employed tend to retire at an older average age than the general workforce. The average retirement age for all Canadian retirees in 2007 was 61.6 years, relatively unchanged from 2006 (61.5 years). The average retirement age for the self-employed jumped by nearly a year and a half in 2007, climbing from 64.7 to 66.1 years, and remaining significantly higher than that of the average Canadian. The newly relaxed retirement regulations in British Columbia could have an impact on the self-employment patterns. In a higher-demand, higher-salaried labour market, some retirees who would normally look to self-employment to supplement retirement income may choose to remain in or re-enter the employee workforce.

Another distinction between self-employed persons versus employees is gender distribution. While workers who are employees are equally likely to be men or women, those who are self-employed are more often men. Last year in British Columbia, almost two-thirds (64 per cent) of the self-employed were men. However, as in the rest of the country, women in British Columbia are making some important strides in terms of business ownership. Among the provinces, British Columbia is second only to New Brunswick (37 per cent) in terms of having the highest proportion of small business owners who are women. A little less than 36 per cent of all small businesses in British Columbia are owned and operated by women, compared to a Canadian average of less than 35 per cent. At 30 per cent, Prince Edward Island had the lowest share of small businesses ownership by women in 2007.

There is also significant disparity between self-employed and employees in terms of the number of hours worked per week. On average, the self-employed have much longer work days than do employees. While the majority of employees work between 35 and 40 hours per week (64 per cent), just 29 per cent of the self-employed fit in this category. Conversely, thirty-one per cent of self-employed people in British Columbia worked exceptionally long hours (over 49 hours per week) last year compared to only five per cent of employees. At the other end of the spectrum, only nine per cent of the self-employed in British Columbia worked less than 15 hours per week in 2007 and a further 14 per cent worked 15 to 29 hours. This compares to six and 14 per cent, respectively, for employees.

Figure 2.9

Proportion of self-employed who are women, 2007



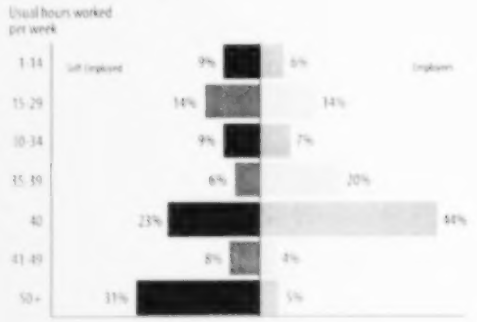
Source: Statistics Canada / Prepared by BC Stats

Did you know?

British Columbia has the second highest proportion of small business owners who are women among provinces.

Figure 2.10

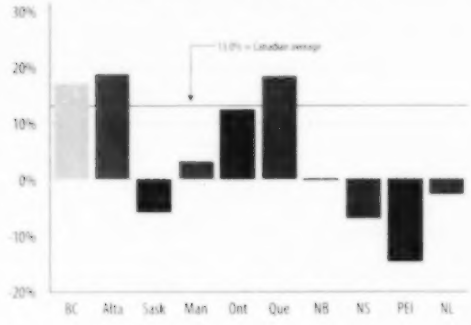
Self-employed tend to work longer hours – British Columbia, 2007



Source: Statistics Canada / Prepared by BC Stats

Figure 2.11:

Self-employment growth in British Columbia exceeds the national average, 2002-2007



Source: Statistics Canada / Prepared by BC Stats

Long-working self-employed Canadians represent an even larger portion than those in British Columbia. On a national basis, 35 per cent of self-employed workers averaged 50 hours or more per week in 2007. The average work week for self-employed workers in Canada is approximately 42 hours, two hours more than the British Columbia average (40 hours). The incongruity between employees and the self-employed in terms of hours worked per week has remained relatively unchanged in recent years. The average work week for the self-employed has fluctuated only slightly in the past decade (between about 38 and 40 hours) and the average for employees has also remained fairly stable (between approximately 35 and 36 hours per week).

Based on data from 2007, Aboriginal peoples living off-reserve remain significantly less likely to be self-employed than non-aboriginals. Approximately 13.7 per cent of off-reserve Aboriginal peoples in British Columbia were self-employed last year, compared to 18.9 per cent of non-Aboriginal peoples. This is down from 14.4 per cent in 2006, while the ratio for non-Aboriginal self-employed was unchanged (18.9 per cent in 2006). Interestingly, for the first year on record, those who identified themselves as North American Indian were more likely to be self-employed (15.8 per cent) than those who identified as Métis (10.7 per cent). In 2005 and 2006, British Columbia's Métis population was far more likely to be self-employed.

How does self-employment growth in British Columbia compare with other provinces?

British Columbia has shown particularly impressive self-employment growth over the last five years. Between 2002 and 2007, there was a 17.1 per cent increase in the number of self-employed in the province, well above the national average of 13.0 per cent. Only Quebec, with 18.5 per cent and Alberta, with 18.8 per cent, saw greater growth in the number of self-employed than British Columbia; no other province exceeded the Canadian average. At the other end of the scale, Prince Edward Island experienced the most substantial decline (-14.7 per cent) in self-employment, likely reflecting a drop in the number of independent farmers. All other Atlantic provinces and Saskatchewan recorded slips in the number of self-employed over this period as well.

How large is the contribution of small business to British Columbia's economy relative to other provinces?

The small business sector is a critical component of British Columbia's economy. Its contributions range from creating and maintaining employment, to producing goods and services and providing a source of innovation. Small business payrolls also support families and stimulate further economic activity.

The key measure of economic production of a sector is its gross domestic product (GDP). GDP represents the value that a sector adds to the materials and services it uses. The importance of small business to British Columbia's economy is underscored by its contribution to GDP. Small business in British Columbia accounted for a full third (33 per cent) of the province's GDP in 2007, well above the national average of 26 per cent.[2] Prince Edward Island ranked second behind British Columbia with 30 per cent of its GDP produced by small business, while Newfoundland and Labrador, at only 18 per cent, had the smallest portion of GDP comprised of small business activities. The small share for Newfoundland and Labrador may reflect the increased role of large businesses in the offshore oil industry in that province's economy. The greater importance of small business in British Columbia may be the result of the comparatively larger role of the service sector relative to most other provinces, as much of the nation's growth in small businesses has been concentrated in such industries.

How does average pay compare between small and large businesses?

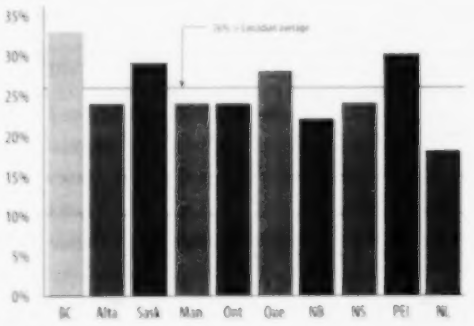
Generally, large businesses tend to pay their employees higher average wages than do small businesses. In 2007, the average small business employee earned $36,128 compared to $41,604 for employees of large businesses. Productivity likely plays a role in the wage gap as larger firms are able to take advantage of economies of scale and can more easily afford necessary capital improvements, including machinery and equipment that can replace low-skilled labour. As a result, larger firms tend to achieve a higher output per employee and, consequently, can afford to pay their employees higher wages. Another factor contributing to the wage difference is the fact that small businesses are much less likely to be unionized. In general, employees who belong to unions tend to earn higher wages than non-unionized employees.

The disparity between wages of employees of small and large businesses has tapered somewhat over the last several years because the rate of increase of small business wages has outpaced that of large business pay. Between 2002 and 2007, employees of small businesses saw their earnings grow more than twice as fast as those working for large businesses. Average wages for small business employees increased 21 per cent over that period, compared to only a nine per cent raise for those working for larger businesses. As a result, the earnings gap between employees at small and large businesses has narrowed from almost $8,300 in 2002 to just under $5,500 five years later.

Gross Domestic Product (GDP) refers to the total market value of all the goods and services produced within national or provincial borders during a specified period. The growth rates of GDP provide an indication of how well an industry or an economy is doing. The GDP of an industry (also referred to as value added) equals output by the industry minus the value of intermediate inputs that were purchased from other industries, domestic or foreign. Value added is a measure of how much an industry has contributed to the value of its output over and above the value of intermediate inputs. GDP by industry for the economy as a whole is the sum of values added by all industries resident in Canada.

Figure 3.1

British Columbia was first among the provinces in terms of small business contribution to GDP, 2007



Source: BC Stats

Figure 3.2

Changes in average annual earnings, British Columbia, 2002-2007

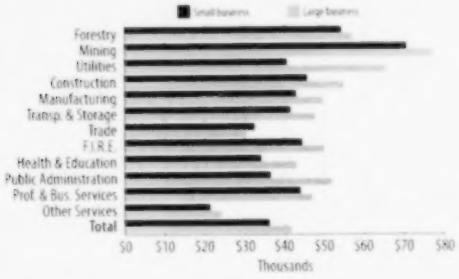
	Small Business	Large Business
Earnings 2002 (payroll/employee)	$ 29,861	$ 38,319
Earnings 2007 (payroll/employee)	$ 36,128	$ 41,604
Per cent change	21%	9%

Source: BC Stats using data supplied by Statistics Canada

2 Note that the methodology for calculating small business GDP has been updated. The new figures support that small business accounts for a larger portion of GDP than previously estimated. Ratios reported here are significantly higher than figures published in previous editions of this report and comparisons with earlier editions are not valid.

Figure 3.3

Average annual earnings by industry, British Columbia, 2007



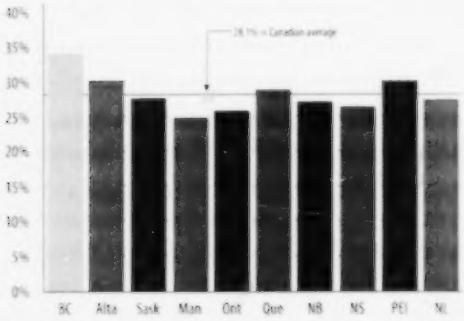
Note: F.I.R.E. = Finance, Insurance, and Real Estate
Source: BC Stats using data supplied by Stats Canada

Did you know?

British Columbia's small businesses lead the nation in contributions to provincial payrolls.

Figure 3.4

British Columbia small business represents over a third of the 2007 provincial payroll



Source: BC Stats using data supplied by Statistics Canada

The shrinking wage gap could be related, at least in part, to the current scarcity of labour. The labour shortage is likely inducing employers to increase wages in an attempt to draw more people back into the workforce. Since larger companies can often offer their employees more benefits, they may have less need to raise wages. Large businesses tend to have higher wages to begin with, along with other employee benefits such as pension plans and extended medical coverage that are not always available to employees of small businesses. Another factor to consider is that there is often better job security in larger companies because they are less likely to go out of business. Thus to remain competitive, small business employers are having to increase wages in an effort to both attract and retain employees who may be drawn in by what big companies can offer.

How does average pay compare across industries for small versus large businesses?

For most industry groupings, the wages offered by businesses with fewer than 50 employees continue to lag behind those of larger businesses. The one notable exception is for employees working in retail trade, who earned more on an average annual basis than their counterparts working in large businesses. Retail trade has been one of the sectors most severely impacted by labour shortages that have forced employers in small retail businesses to pay higher wages to maintain the staffing levels necessary to operate.

The most significant difference in wages between small and large business employees occurs in the utilities industry where large businesses pay almost $24,600 more, on average, than small businesses. Among the large industry aggregations, the next biggest wage gaps occurred in public administration at just under $15,200, followed by construction with a difference of over $9,100. Outside of trade, the smallest gap between small and large businesses is in "other services," at just under $2,700. For businesses of any size, employees in the accommodation and food sector (included in "other services") earned the lowest wages, on average. The highest wage earners were in mining, oil and gas extraction. [1]

How does British Columbia compare in terms of the portion of total payroll generated by small business?

Small business was the source of 34 per cent of all wages paid to workers in British Columbia in 2007. This was by far the highest ratio of any province in the country and well above the national average of 28 per cent. Alberta and Prince Edward Island tied for second at 30 per cent, a full four percentage points lower than British Columbia. The province with the smallest percentage of payroll derived from small business was Manitoba, at just under 25 per cent.

1 Note that the wage data are from Statistics Canada's Survey of Employment, Payrolls and Hours, which does not include data for the agriculture and fisheries industries. Data for the accommodation and food sector does not include gratuities.

4. Growth Industries and Specially Defined Sectors

The economy of British Columbia was once viewed as being driven by resource extraction-based industries such as forestry and mining, and while these industries still play a prominent role in the province's economy, other sectors such as tourism, high technology and secondary manufacturing have also become important industries. Although in recent years the appreciation of the Canadian dollar and competition from countries such as China have posed challenges to the tourism and secondary manufacturing sectors, these industries, along with high technology are likely to be key components in the long term growth of the provincial economy. Since these industries are less reliant on capital-intensive resource extraction, they are well suited for development by small business.

For example, in the high tech sector small businesses comprise 96 per cent of employers.[4] Growth in this sector is expected to result from innovation and services that can be performed by small firms with few employees operating from small offices and even homes.

Number of Small Businesses

Which industries show the greatest increase in the number of small businesses?

The construction industry recorded the biggest small business growth with a net addition of 3,035 establishments between 2002 and 2007, which averages to approximately 607 new businesses annually. The recent construction boom in both residential and non-residential housing is the driving factor in the growth of small business in this industry. Business services showed the next highest growth in net new small businesses with the addition of 855 establishments in the five-year period. The health and social assistance sector has also experienced a substantial expansion with a net addition of 782 new businesses since 2002.

Specially Defined Sectors

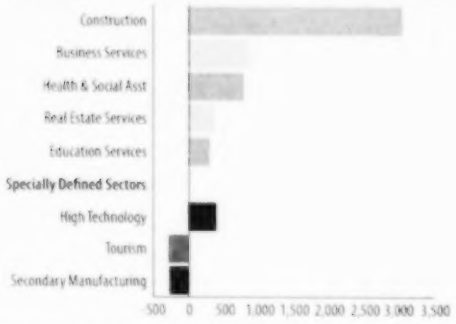
This section contains information on industries that are not defined under the North American Industry Classification System (NAICS) used by Statistics Canada. The tourism, high technology and secondary manufacturing sectors are called "specially defined sectors" in this section because they are composites of smaller parts of traditionally defined industries under NAICS. For example, tourism includes data from parts of the transportation industry, accommodation and food services, and information, culture and recreation services, among others; high technology includes both manufacturing and services components.

Of the three specially defined sectors, only one has experienced an increase in the number of small businesses over the last five years. High technology forged ahead with a net addition of 373 new businesses between 2002 and 2007. However, all the gains were in high technology services, as the number of high tech manufacturing establishments

4 Note that industry data for self-employed by industry are not available. Therefore, the figures provided in this chapter are for paid employers only and may differ from other parts of this report.

Figure 4.1

Number of new small businesses – fastest growing sectors in British Columbia, 2002-2007



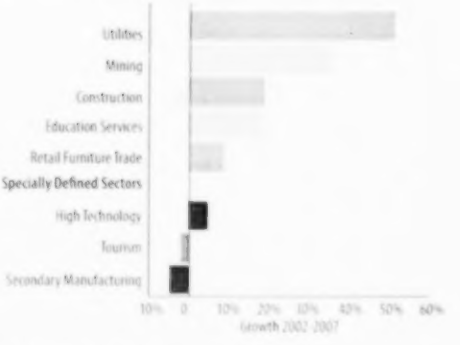
Note: Excludes self-employed without paid help
Source: BC Stats using data supplied by Statistics Canada

North American Industry Classification System (NAICS)

The North American Industry Classification System (NAICS) is an industry classification system used in Canada, the United States and Mexico and is designed to provide common definitions of the industrial structure of the three countries. NAICS is Statistics Canada's comprehensive system encompassing all economic activities. It has a hierarchical structure. At the highest level, it divides the economy into 20 sectors. At lower levels, it further distinguishes the different economic activities in which businesses are engaged.

Figure 4.2

Sector growth rates for number of small businesses, 2002-2007



Note: Excludes self-employed without paid help
Source: BC Stats using data supplied by Statistics Canada

Special Sector Definitions

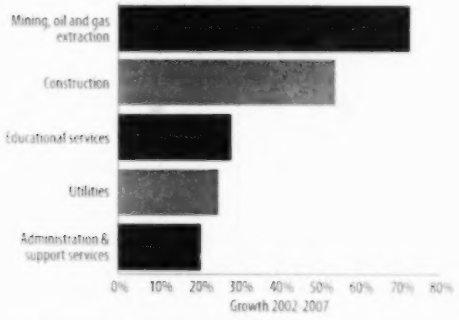
Tourism includes industries such as transportation, accommodation, food services and other tourism-related activities. [Further information on the tourism sector is available at: ***www.bcstats.gov.bc.ca/data/bus_stat/busind/tourism.asp***]

High technology industries may employ a high proportion of scientists and researchers or invest a high proportion of revenues in research and development. Other industries that produce high technology products are also included. [Further information on the high technology sector is available at: ***www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp***]

Secondary manufacturing industries are those that produce goods from the products of other manufacturers. For example, a sawmill is a manufacturing operation, but not a secondary manufacturer, because its logs do not come from another manufacturer. On the other hand, a factory producing wooden doors with lumber obtained from sawmills is a secondary manufacturer.

Figure 4.3

Small business employment – industries in British Columbia experiencing the most job growth, 2002-2007



Source: BC Stats using data supplied by Statistics Canada

actually declined over the same period. The diverging paths of the manufacturing and service sectors are not unique to this industry. Indeed, factors such as the appreciation of the dollar and heightened competition from other countries have taken its toll on the manufacturing sector to a much greater degree than the service sector.

The number of tourism and secondary manufacturing businesses decreased with a net loss of 303 and 285 establishments, respectively, over the same five-year period. These decreases were likely due to a similar combination of factors affecting the manufacturing sector that include increased global competition and the appreciation of the Canadian dollar.

Which industries show the fastest rates of growth in new businesses?

At an impressive 50.8 per cent, utilities[5] experienced the most rapid annual average growth in the number of new small businesses of any of the standard sectors. Net new small business growth hit double digits between 2002 and 2007 with mining showing 35.9 per cent growth, construction 18.7 per cent and education services 18.3 per cent. The strength of the mining industry is likely due to an increased demand for metals for export to overseas markets. The rise in educational services is possibly the result of increased drivers' education programs following implementation of British Columbia's Graduated Licensing Program, and an increasing demand for instruction in English as a second language (ESL).

In the specially defined sectors, high technology continued to grow at a vigorous pace with a 4.8 per cent rise in the number of establishments. Meanwhile, the number of secondary manufacturing firms fell 4.4 per cent and tourism showed a slower decline of 2.0 per cent in the number of new firms in this sector.

Small Business Employment

Which industries are experiencing the most job growth?

With an impressive employment increase of 54.1 per cent, the construction industry was the largest provider of new small business jobs in British Columbia between 2002 and 2007. As a result of the recent building surge in the province, a whopping 29,630 new jobs were created in this industry over the five year period. The business services sector also added a substantial number of new jobs, increasing its employment by 14.9 per cent and creating nearly 13,000 new jobs. In terms of growth rates, the mining, oil and gas extraction industry recorded the most notable increase over this period with a 72.5 per cent surge in employment. Perhaps partly as a result of the intensified overseas demand for copper, zinc, aluminium, nickel and other nonferrous metals—particularly from China and India—approximately 1,805 new jobs were created in this industry over the five year period. The educational services (28.1 per cent) and utilities (24.7 per cent) sectors also recorded notable increases in employment between 2002 and 2007.[6]

5 The utilities sector comprises of establishments primarily engaged in operating electric, gas and water utilities.

6 Note that data on employment by size of business are not available for the specially defined sectors.

Which regions have the greatest number of small businesses?

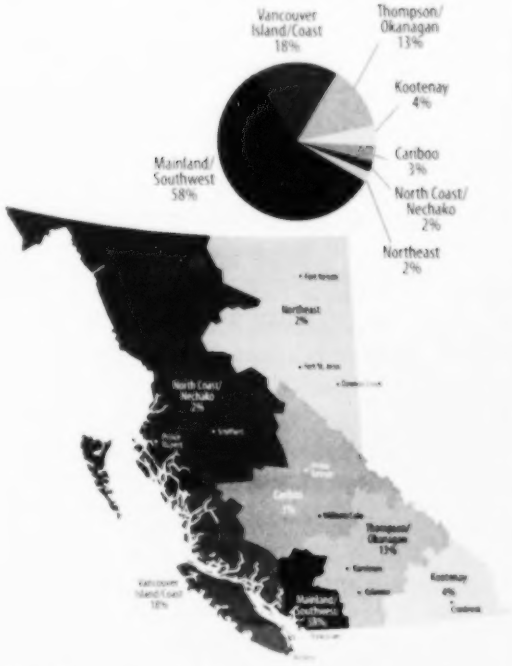
As one would expect, the most populated regions of the province have the largest shares of British Columbia's small businesses. Last year, the Mainland/Southwest region, which includes Greater Vancouver, accommodated about 58 per cent of the province's small businesses. This is marginally less than its 59 per cent share of total provincial population. Vancouver Island/Coast was home to about 18 per cent of British Columbia's population and had about the same proportion of small businesses located in the region. Third-ranked Thompson-Okanagan had a 13 per cent share of small businesses, which was slightly higher than its share of population. The remaining regions together accounted for about 11 per cent of both small business and population. However, the Kootenay region stood out with four per cent of the province's small businesses, a full percentage point higher than its share of the overall population.

In which regions are the greatest numbers of small businesses forming?

Between 2002 and 2007, five of British Columbia's seven regions recorded increased small business counts. Over the past five years, the Northeast region led the province in small business growth as a result of activity in the oil and gas sector and new industry growth. The average annual growth rate for this region was 7.3 per cent over five years, translating to an average increase of 400 businesses per year. At 4.7 per cent growth, the Kootenay region was second in terms of average annual growth adding an impressive average of 600 net new small businesses per year. Thompson-Okanagan followed with a 2.1 per cent increase, which added an average of 900 small businesses annually. In terms of actual numbers, Mainland/Southwest (+1.5 per cent or 3,000 establishments) and Vancouver Island/Coast (+1.8 per cent or 1,100 establishments) added the most new businesses to the province. Two regions showed declines in the number of small businesses: the Cariboo region (-0.7 per cent), and North Coast/Nechako (-0.8 per cent), each of which lost an average of about 100 businesses a year. Struggles for small businesses in these regions could be partly attributable to difficulties in the forestry sector, such as mountain pine beetle infestations.

Figure 5.1

Mainland/Southwest accounted for over half of all small businesses in British Columbia, 2007



Source: BC Stats using data supplied by Statistics Canada

Figure 5.2

Net change in number of small businesses by region, 2002-2007

	Average annual growth (#)	Average annual growth rate
Vancouver Island/Coast	1,100	1.8%
Mainland/Southwest	3,000	1.5%
Thompson/Okanagan	900	2.1%
Kootenay	600	4.7%
Cariboo	-100	-0.7%
North Coast & Nechako	-100	-0.8%
Northeast	400	7.3%
Provincial Total†	6,000	1.8%

† Figures do not add due to rounding

Source: BC Stats using data supplied by Statistics Canada

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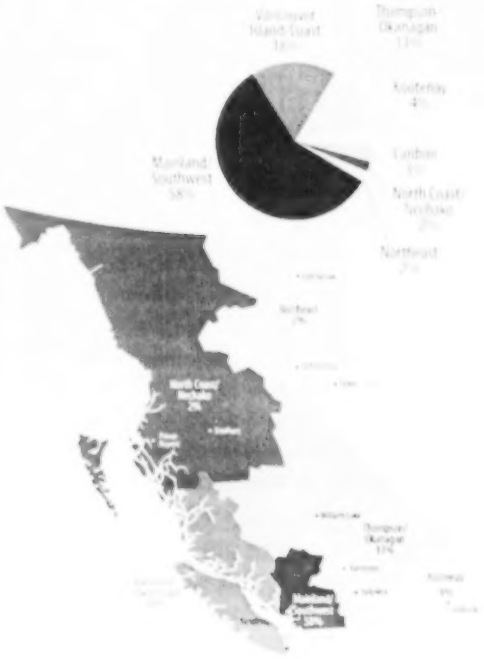
Mainland/Southwest accounted for over half of all small businesses in British Columbia, 2007



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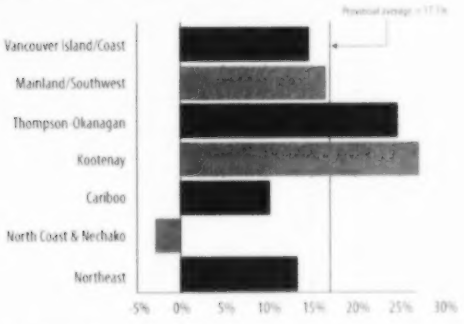
Mainland/Southwest	3,000	1.5%
Kootenay	600	4.7%
North Coast & Nechako	-100	-0.8%
Provincial Total†	6,000	1.8%

Figure 5.3

Self-employment growth rate for regions in British Columbia, 2002-2007



Source: Statistics Canada / Prepared by BC Stats

Did you know?

Over the past five years, the Northeast region led the province in small business growth.

Figure 5.4

The specially defined sectors lost establishments in most regions of the province between 2002 and 2007

	Tourism		High Technology		Secondary Manufacturing	
DEVELOPMENT REGION	Average annual change (#)	Average annual rate of change	Average annual change (#)	Average annual rate of change	Average annual change (#)	Average annual rate of change
Vancouver Island/Coast	0	0.0%	13	1.0%	0	0.0%
Mainland/ Southwest	-2	0.0%	48	0.9%	-48	-1.1%
Thompson/ Okanagan	-35	-1.7%	12	2.0%	-1	-0.1%
Kootenay	-19	-2.3%	-1	-0.3%	-7	-3.7%
Cariboo	-12	-1.9%	-8	-3.8%	-1	-0.7%
North Coast & Nechako	-11	-2.2%	-3	-2.8%	-1	-1.7%
Northeast	4	1.7%	8	5.4%	-1	-2.0%

Source: BC Stats using data supplied by Statistics Canada

In what regions is self-employment growing the fastest?

Six of British Columbia's regions recorded substantial growth in self-employment between 2002 and 2007. The Kootenay region led the province recording a robust 27.3 per cent increase over the five-year period. However, this was just 2.4 percentage points higher than the next fastest growing region, Thompson-Okanagan, at 24.9 per cent. Four other regions saw positive growth in entrepreneurs: Cariboo (+10.3 per cent), Northeast (+13.3 per cent), Vancouver Island/Coast (+14.8 per cent) and Mainland/Southwest (+16.7 per cent). The only region to record a decline was North Coast/Nechako, with 2.9 per cent fewer self-employed over the last five years.

In what regions are the specially defined sectors growing the fastest?

The two regions where high technology is most highly concentrated in the province saw an expansion in the number of small businesses between 2002 and 2007: the number of small businesses increased 0.9 per cent in Mainland/Southwest and 1.0 per cent in Vancouver Island/Coast. The Northeast region also recorded a significant increase in high tech establishments (+5.4 per cent) while the count was also up in Thompson-Okanagan (+2.0 per cent). Of the three regions that saw declines, the Cariboo region suffered the largest drop, losing 3.8 per cent of its high tech small business establishments in the five-year period.

With the exception of Vancouver Island/Coast, where there was no change, the number of secondary manufacturing small business establishments declined in every region of the province between 2002 and 2007. The Kootenay region (-3.7 per cent), experienced the highest rate of decline, but the other regions of the province also lost significant numbers.

There was relatively strong growth in the number of tourism-related small businesses in the Northeast (+1.7 per cent) part of the province over the five year period, but in all other regions, growth was either flat or declined. The depreciation of the US dollar relative to the Canadian dollar, rising costs for airfare and accommodation, and skyrocketing gasoline prices may all be impacting small tourism businesses as American tourists are fewer in number. Total visitor entries to Canada via British Columbia fell 3.9 per cent in 2007 and travel from the US dropped (-5.9 per cent) for the seventh straight year.

6. Small Business Exporters

How is a small business exporter defined?

An export can be either a good shipped to another country or a service that is provided to a foreign resident or business. Trade from one region to another within a country, such as from one province to another, may also be considered an export. Data on service exports and interprovincial trade are limited and such data tabulated by business size are simply not available; therefore, for the purposes of this report, an exporter is defined as a business that ships merchandise to international destinations. A business with fewer than 50 employees that exports goods out of the country is defined as a small business exporter.

Note that consistent export data for businesses by employee size are available for 2006 only and data for British Columbia on its own are not readily available.[7] To meet confidentiality requirements, Statistics Canada has grouped the Territories (Yukon, Northwest Territories and Nunavut) into a region with British Columbia. As such, the data reported here include exporters in the Territories. However, based on years where data for the Territories were not suppressed, the inclusion of exporters from the Territories should not significantly influence the numbers. Most of the exports from the Territories are diamonds from the Northwest Territories and these are generally large business exports. The numbers for small businesses in British Columbia are probably inflated by less than one per cent; however, the value of exports for large businesses may be slightly more overstated due to the inclusion of diamonds shipped from the Northwest Territories.

How many small businesses in British Columbia export?

In 2006, the number of businesses that exported merchandise to international destinations was 6,480, of which approximately 81 per cent were businesses with fewer than 50 employees. These 5,256 small business exporters represented approximately 1.4 per cent of all small businesses in the province. Stated another way, 98.6 per cent of small businesses in British Columbia did *not* export goods in 2006. Those small businesses that did export goods employed 60,766 people, or almost six per cent of total small business employment.

While only a small fraction of small businesses were exporters in 2006, they shipped over a third (37 per cent) of the total value of exports from the province, or about $12.2 billion worth of goods. The low number of small business exporters may be attributed to high start-up costs associated with an exporting business, or the need to achieve economies of scale to compete internationally.

Small Business Exporter

A small business exporter is a business with fewer than 50 employees that exports goods out of the country, regardless of the value of exports. Small firms can be large exporters and, conversely, some large firms are small exporters.

Figure 6.1

Number of British Columbia* exporters, employees and value of exports, 2006

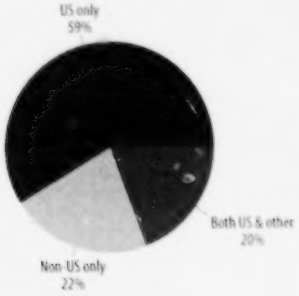
	Number of Establishments	Number of Employees	Value of Exports ($millions)
Small business exporters	5,256	60,766	$12,168.8
Large business exporters	1,224	277,575	$21,034.6
Total all exporters	6,480	338,341	$33,203.4

*Includes data for the Territories
Source: Statistics Canada / Prepared by BC Stats

7 Because export data for businesses by employee size is derived from the Statistics Canada Export Registry, there is a one year lag. 2006 data represents the latest data available.

Figure 6.2

Most British Columbia* small business exporters shipped exclusively to the United States in 2006



*Includes data for the territories
Source: Statistics Canada / Prepared by BC Stats

Did you know?

British Columbia had more small business exporters in 2006 than all the Prairie provinces combined.

Exporters of all sizes have had to deal with the challenges associated with the appreciation of the Canadian dollar. This is reflected in both the overall number of exporters, which fell 9.0 per cent between 2005 and 2006, and the value of exports, which dipped 2.0 per cent in that period. While Statistics Canada does not produce data on exporters by employee-size that can be consistently compared from year to year, given that over four-fifths of exporters were small businesses, it is likely that a significant number of them were among those that either ceased to operate, or did not export goods in 2006.

What is the destination of goods shipped by British Columbia small business exporters?

The United States is the primary destination for goods shipped out of the country by small business exporters. In fact, well over half (59 per cent) of British Columbia small business exporters shipped exclusively to the United States in 2006, while another 20 per cent exported to the United States and at least one other country. Only 22 per cent of small businesses that exported did not ship any goods at all to the United States. One reason for the focus on the United States may be that small businesses are less familiar with overseas markets and prefer to deal with American customers. Cost is likely another factor as the cost of marketing in other countries, particularly where there are language differences, will be higher. Also, transportation costs will be higher to overseas destinations, which will add to the price of the product. Since small businesses have a smaller profit margin than larger enterprises, they have less ability to absorb these expenses and it could price them out of the market. Those businesses that did export to other destinations tended to ship greater volumes, which probably helped defray some of these overhead costs.

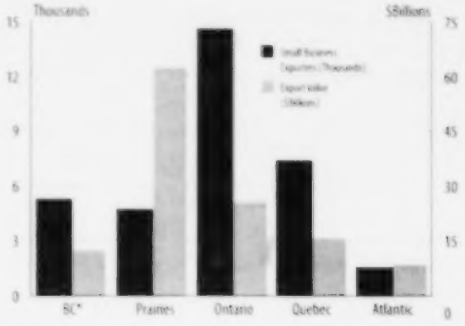
How do British Columbia small business exporters compare to those in other parts of the country?

British Columbia had more small business exporters in 2006 than all the Prairie provinces combined. This is due, at least in part, to the fact that many small farms in the Prairies have their exports handled by large co-operatives such as the Canadian Wheat Board. Ontario had the most small business exporters, with almost double the count of second-ranked Quebec.

Export intensity varies significantly across the country, as small businesses export far more by value, on average, in some regions compared to others. For example, although the Prairies have fewer small business exporters than any of the top three provinces, the value of shipments from the Prairies was virtually the same as the total for the rest of the country. It is possible that Alberta oil and gas producers hire small firms in the finance and insurance sector to deal with exporting their product, which helps explain the relatively higher export intensity in the Prairies. Average exports by small business exporters in the Prairies were about $13.3 million per firm in 2006, well above the average value of exports from businesses in the rest of the country. Small business exporters' average annual shipments were just over $2.3 million in British Columbia, while Atlantic Canada's small businesses exported an average of $6.2 million per firm. Despite the greater numbers of small business exporters, Quebec and Ontario had the lowest average export value per firm in 2006, with $2.2 and $1.7 million, respectively. Differences in the industrial structure of the various regions of the country are likely the reason for the regional variation in export intensity.

Figure 6.3

Export intensity for small businesses varies widely by region, 2006



*Includes data for the territories
Source: Statistics Canada | Prepared by BC Stats

How is technology affecting small business exporters?

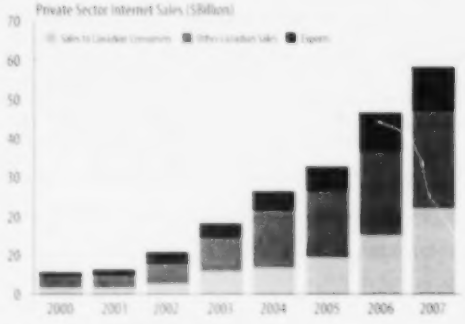
Larger firms generally have an advantage over smaller businesses in the export market because of economies of scale and other factors. However, one area where small businesses may be able to compete with larger firms on a global scale is in niche markets. Small businesses are often better suited to produce specialized items for these smaller markets, but the challenge is getting the word out to customers around the world. The continuing development of e-commerce may be an invaluable tool for small businesses seeking to expand their sales to other countries.

The value of goods and services sold over the Internet by Canadian companies has increased considerably over the last several years, rising from $5.5 billion in 2000 to $58.2 billion in 2007. Most of the sales were within Canada, but sales to customers outside of Canada have also grown, jumping from less than $1 billion in 2000 to $11.3 billion in 2007. Despite this rapid growth, the proportion of Canadian private sector companies selling over the Internet remains fairly small, at just over eight per cent in 2007. The increase in sales suggests consumers are starting to feel more comfortable with making transactions over the Internet and concern over security, which was one of the main obstacles to the development of e-commerce, is less widespread than it once was. As such, there is an opportunity for small businesses to reach out to these consumers and expand their customer base for very little additional expense.

The growth in the Internet and other communications technologies has helped make the world a smaller place, at least in a business sense. Small businesses are getting more involved in exporting than ever before. This includes exports of services, which are expanding quickly as Canadian companies compete globally to provide services such as computer programming and call centres. The small business sector is already an important part of the British Columbia economy and new technology could help it grow and become even more vital in the future.

Figure 6.4

E-commerce in Canada has boomed in recent years



Source: Statistics Canada | Prepared by BC Stats

Technical Notes

All statistics presented in this document are based on the best data currently available. A comprehensive listing of all businesses operating in British Columbia or elsewhere does not exist; therefore, business counts must be estimated to some extent. BC Stats has combined data from several sources to produce estimates of the total number of large and small businesses operating in British Columbia and other provinces, as well as the employment and payrolls generated by these businesses.

The results may differ from estimates produced in other studies using different data and different methodologies. Differences will potentially be more in terms of absolute numbers, rather than direction of trends or the relative standing of British Columbia compared to other provinces. This edition of the *Small Business Profile* incorporates statistical revisions, such that year-over-year comparisons should not be made using last year's edition.

Data Sources

Estimates of the number of businesses have been produced using data from Statistics Canada's *Business Register* and *Labour Force Survey*. Estimates of employment and payrolls have been produced using Statistics Canada's *Survey of Employment, Payrolls and Hours* and *Labour Force Survey*. All self-employment numbers have been obtained directly from the *Labour Force Survey*. Data describing small business exporters is derived from Statistics Canada's *Exporter Registry* and data on sales over the Internet is from Statistics Canada's *Survey of Electronic Commerce and Technology*.

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